

Claims

What is claimed is:

1. A method for hedging a deferred compensation liability associated with a deferred compensation plan, comprising: arranging a total return swap between a party sponsoring the deferred compensation plan and a counterparty; and using the total return swap to hedge the deferred compensation liability.
2. The method of claim 1, wherein a participant in the deferred compensation plan may select a notional investment allocation of deferred compensation attributable to the participant.
3. The method of claim 2, wherein the counterparty arranges the total return swap to substantially track the selected notional investment allocation.
4. The method of claim 1, wherein the party sponsoring the deferred compensation plan receives from the counterparty a total return generated by the total return swap and the counterparty receives from the party sponsoring the deferred compensation plan a total return swap fee.
5. The method of claim 4, wherein the total return swap fee comprises a LIBOR based cashflow.
6. A method for hedging a deferred compensation liability associated with a deferred compensation plan, which deferred compensation plan permits a participant in the deferred compensation plan to select a notional investment allocation of deferred compensation attributable to the participant, comprising: obligating a counterparty to pay to a party sponsoring the deferred compensation plan a hedge payment, wherein the hedge payment results from a total return swap and equals at least the value of the deferred compensation if it were invested as notionally selected by the plan participant.
7. The method of claim 6, wherein the hedge payment is a total return generated by the total return swap and the counterparty receives from the party sponsoring the deferred compensation plan a total return swap fee.
8. The method of claim 7, wherein the total return swap fee comprises a LIBOR based cashflow.
9. A method for hedging a deferred compensation liability associated with a deferred compensation plan, comprising: arranging a first total return swap between a party sponsoring the deferred compensation plan and a counterparty; using the first total return swap to hedge the deferred compensation liability; and arranging a hedge between the

counterparty and a second counterparty, wherein the hedge at least partially hedges the counterparty's liability under the first total return swap.

10. The method of claim 9, wherein a participant in the deferred compensation plan may select a notional investment allocation of deferred compensation attributable to the participant.

11. The method of claim 10, wherein the counterparty arranges the first total return swap to substantially track the selected notional investment allocation.

12. The method of claim 9, wherein the party sponsoring the deferred compensation plan receives from the counterparty a total return generated by the first total return swap and the counterparty receives from the party sponsoring the deferred compensation plan a total return swap fee.

13. The method of claim 12, wherein the total return swap fee comprises a LIBOR based cashflow.

14. The method of claim 9, wherein the counterparty's hedge is a second total return swap which is between the counterparty and the second counterparty.

15. The method of claim 14, wherein the counterparty receives from the second counterparty a total return generated by the second total return swap and the second counterparty receives from the counterparty a total return swap fee.

16. The method of claim 15, wherein the total return swap fee comprises a LIBOR based cashflow.

17. A method for hedging a deferred compensation liability associated with a deferred compensation plan, which deferred compensation plan permits a participant in the deferred compensation plan to select a notional investment allocation of deferred compensation attributable to the participant, comprising: obligating a counterparty to pay to a party sponsoring the deferred compensation plan a hedge payment, wherein the hedge payment results from a first total return swap and equals at least the value of the deferred compensation if it were invested as notionally selected by the plan participant; and arranging a hedge between the counterparty and a second counterparty, wherein the hedge at least partially hedges the counterparty's liability under the first total return swap.

18. The method of claim 17, wherein the counterparty arranges the first total return swap to substantially track the selected notional investment allocation.

19. The method of claim 18, wherein the hedge payment is a total return generated by the first total return swap and the counterparty receives from the party sponsoring the deferred compensation plan a total return swap fee.

20. The method of claim 19, wherein the total return swap fee comprises a LIBOR based

cashflow.

21. The method of claim 17, wherein the hedge is a second total return swap which is between the counterparty and the second counterparty.

22. The method of claim 21, wherein the counterparty receives from the second counterparty a total return generated by the second total return swap and the second counterparty receives from the counterparty a total return swap fee.

23. The method of claim 22, wherein the total return swap fee comprises a LIBOR based cashflow.

24. A method for hedging a deferred compensation liability associated with a deferred compensation plan, comprising: arranging a forward contract including a put and a call between a party sponsoring the deferred compensation plan and a counterparty; and using the forward contract to hedge the deferred compensation liability.

25. The method of claim 24, wherein the put is written by the party sponsoring the deferred compensation plan and the call is held by the party sponsoring the deferred compensation plan.

26. The method of claim 25, wherein the put and the call are on stock in the party sponsoring the deferred compensation plan.